

Senator Olympia J. Snowe
Chair, Senate Committee on Small Business and Entrepreneurship
“Nomination of Eric Thorson to be Inspector General of the
Small Business Administration”
March 1, 2006

Opening Statement

Good afternoon and welcome to today’s hearing to consider the President’s nomination of Mr. Eric Thorson to be the next Inspector General (IG) for the Small Business Administration (SBA). Mr. Thorson, I see that you are accompanied by your family – your wife Susan and your father-in-law Arthur White -- and we welcome them to the Committee.

I also welcome Senator Kerry, and thank him for working with me on this nomination and hearing. And I appreciate my colleague, Senator Grassley, for his presence here as well. Senator Grassley, will be introducing Mr. Thorson, who previously served as Chief Investigator for the Senate Finance Committee.

We come to this hearing at a time when the IG’s role at SBA will be *all the more critical*, given the enormous challenges the Agency has faced – and continues to confront – in areas such as the disaster loan program’s operation and the unacceptable response to Katrina and Rita, enforcement of government-wide small business contracting rules, and oversight of SBA lending programs. Therefore, it is *imperative* the new Inspector General be aggressive and tireless – as the unprecedented challenges require unprecedented *responses*. So, Mr. Thorson, I look forward to hearing your testimony and to further explore your qualifications to carry out the Inspector General at this pivotal juncture for America’s 25 million small businesses and

their employees.

Mr. Thorson certainly brings a depth and breadth of experience – from having served, among other roles, as Director of Defense Issues for the Legislation and National Security Subcommittee of the House Government Operations Subcommittee...Chief Investigator for the Permanent Subcommittee on Investigations of the Senate Committee on Governmental Affairs, and for the Senate Committee on Finance...and Special Assistant to Senate Republican leader Trent Lott on corporate fraud investigations.

His past investigative subjects include such major issues as Enron and WorldCom. And he worked in both the executive and legislative branches under Republicans *and* Democrats, including Rep. John Conyers, the late Senator Bill Roth, and – as I mentioned – then-Majority Leader Trent Lott, during his many years of investigative experience. *Moreover*, he has firsthand knowledge of the trials, challenges, and gratification of being a small business owner, who fulfilled his dream with the help of an SBA veteran’s loan.

Indeed, we have an obligation to ensure that the person confirmed as the SBA’s Inspector General is not only a well-qualified investigator. They must *also* show *passion* in identifying barriers that may limit the success and entrepreneurial spirit of our small businesses, that form the very foundation of the nation’s economic growth and job creation potential – having created about three-quarters of all net new jobs annually.

In that light, the Inspector General’s office recently began an investigation of the SBA’s woeful response to Hurricanes Katrina and Rita, an area I have also investigated at length. As we have learned, the Agency’s Disaster Credit Management System was incapable of handling the high

volume of disaster loan applications – nearly 350,000 have been received so far -- and the SBA failed to accurately monitor its disaster financial information and to implement its disaster transformation workforce strategy. This tragic response to a tragic and devastating disaster *must not be repeated* – and the Inspector General will be *key* in determining how we can ensure such bureaucratic lethargy never reoccurs at the SBA.

Mr. Thorson, you will also bear the responsibility of determining whether SBA’s administrative procedures measure up to the expectations of America’s small business owners. We’ve seen what *cannot* happen under the Inspector General’s watch with the STAR loan program – epitomized by the Inspector General’s December 2005 report finding that eligibility could *still* not be determined for 85 percent of the loans reviewed. And the series of ongoing investigations on the effectiveness of the SBA’s Lender Monitoring System (LMS) – which is used to provide oversight of lenders and of SBA’s handling of lending programs such as the 7(a) and 504 business loans – *further* underscores the Inspector General’s vital part in providing aggressive oversight and minimizing abuses of the system.

Similarly, given recent discoveries of small businesses losing prime contracting opportunities to large businesses due to poor oversight of contracting laws, it is fitting that you will bring to this appointment 12 years of experience in successfully investigating and reforming Federal contracting programs. Uncovering, monitoring, and correcting abuses...lax implementation of laws...or waste, fraud, and abuse of taxpayer funds will require your urgent attention, Mr. Thorson, and with your success it will be America’s small businesses that reap the *greatest reward*.

Finally, let me say that, obviously, this hearing had been delayed to

provide additional time to thoroughly examine documents pertaining to the 1997 and 1998 hearings on IRS abuses held by the Finance Committee, where Mr. Thorson was Chief Investigator. As the record shows, these hearings led to the enactment of the IRS Restructuring and Reform Act that we passed 96 to 2 in 1998. During this additional time-period, we have further analyzed Mr. Thorson's role in these hearings and interviewed several witnesses, including officials of the Government Accountability Office. Nevertheless, I welcome this opportunity to gain further clarification from the nominee on this particular matter, as well as any other that will impact the SBA and America's small businesses.

I now recognize Senator Kerry for an opening statement.